

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, March 19, 2015
Time: 2:00 P.M.
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1212, S.D. 1, Relating to Amending or Repealing Various Provisions of Hawaii Tax
Laws for the Purpose of Deleting Obsolete or Unnecessary Provisions

The Department of Taxation (Department) appreciates the intent of S.B. 1212, S.D. 1,
and provides the following comments.

S.B. 1212, S.D. 1 repeals various provisions in the general excise tax and public service company tax laws, chapters 237 and 239 of the Hawaii Revised Statutes (HRS), respectively. Specifically, this measure repeals part of section 237-16.5, repeals section 237-13.3 in its entirety and all references thereto, and repeals part of section 239-6. These provisions were used to phase in various rate changes over a period of several years, which have long since ended.

Based on suggestions from the Department, the Senate Committee on Ways and Means amended the original version of this bill by deleting a section that would have repealed subsection 239-6(e), HRS. Subsection 239-6(e) exempts certain transportation service providers from the public service company (PSC) tax and makes them subject to the general excise tax (GET). If subsection 239-6(e) is repealed, transportation service providers will be exempt from GET under paragraph 237-23(a)(1), HRS, and will instead be subject to the PSC tax under subsection 239-6(b). While the tax rates will remain the same, the base periods used to calculate the tax will change: GET is based on gross income received during the current filing period, whereas PSC tax is based on gross income received during the prior year.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, PUBLIC SERVICE COMPANY, Repeal obsolete provisions

BILL NUMBER: SB 1212, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Repeals obsolete provisions in the general excise tax and public service company tax laws.

BRIEF SUMMARY: Repeals HRS section 237-13.3 that provided for the phase-in of the 0.5% tax on wholesale sales that became fully operational in calendar 2006.

Repeals HRS section 237-16.5 that phased-in the 0.5% rate on real property subleasing transactions.

Repeals HRS section 239-5 that phased-in the 0.5% rate on the sale of telecommunication services by a public utility for resale.

Repeals HRS section 239-6 that phased-in the 0.5% rate for motor carriers who provide services to the construction industry.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: The proposed measure repeals obsolete sections of the general excise and public service company tax laws that were enacted to reduce the pyramiding effect of the general excise tax by providing that these transactions are taxed at the wholesale rate of 0.5%. To minimize the revenue loss, these sections provided a gradual phase-in of the rates wherein the final rate was 0.5% over a period of years.

Since this measure would merely clean up the obsolete sections that are no longer necessary, there would be no revenue loss due to the adoption of this measure.

Digested 3/18/17